ABSTRACT

In recent years, society has started to further the importance of investing, as more people impressed the importance of investing from a young age. Among the most common investment products, commodities and exchange rate are among the most notable investments. In investing, it's common for investors to consider the correlation among assets in order to hedge their portfolios. However, many studies have suggested that the correlation of assets is not constant, it's time-varying. This article aims to analyze the co-movements of gold, crude oil, and exchange rate in order to help investors manage and hedge their portfolios. Employing a twenty-year sample data from 01/01/2001 to 31/12/2020, empirical results revealed that correlations among each pairs of the three markets are indeed time-varying. It was also found that higher market volatilities tend to result in higher correlations. Our findings suggested that investors should monitor not only the movements of one asset, but the movements of various assets that may affect the price movements of invested assets.